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NORTHERN
New Mexico College

STATE OF NEW MEXICO

NORTHERN NEW MEXICO COLLEGE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2015

NORTHERN NEW MEXICO COLLEGE
Table of Contents
June 30, 2015

NORTHERN NEW MEXICO COLLEGE
Official Roster
June 30, 2015

Ex-Officio Members

The Honorable Susana Martinez	Governor of the State of New Mexico
Hanna Skandera	Cabinet Secretary, Public Education Department of NM
Dr. Barbara Damron	Cabinet Secretary, Higher Education Department of NM

Board of Regents

Appointed Members:

Rosario "Chayo" Garcia	President
Damian Martinez	Vice President
Kevin F. Powers	Secretary/Treasurer
Melinda DeHerrera	Member
Vacant	Member

Principal Administrative Officials

Nancy "Rusty" Barcelo	President
Domingo Sanchez III	Vice-President for Finance and Administration

Independent Auditor's Report

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit and the aggregate remaining fund information of Northern New Mexico College (the "College") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons, presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion.

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit and the aggregate remaining fund information of the College as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2015 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement
As discussed in Note 15 to the financial statements, effective July 1, 2014, the College adopted Governmental Accounting Standards Board Statement (GASB) No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10 and the Schedule of the College's Proportionate Share of Net Pension Liability and the Schedule of College's Contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and the budgetary comparisons. The accompanying Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, and Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund as required by Section 2.2.2. NMAC, and the Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding $60,000 (Excluding GRT) required by 2.2.2 NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

JAG LLC

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

For financial reporting purposes, Northern New Mexico College (the College) is considered a special-purpose, government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

This report consists of Management's Discussion and Analysis, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the College and its component unit, the Northern New Mexico College Foundation (the Foundation). This Management's Discussion and Analysis (MD&A) focuses on the College and not the Foundation.

An agreement between the Foundation and the College was entered into on March 12, 1997. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose of the Foundation as raising supplementary funds for the College.

The Management's Discussion and Analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2015.

Financial Highlights

GASB Statement 68, *Accounting & Financial Reporting for Pensions* , effective for years beginning after June 30, 2014, requires the recording of the College's share of the pension plan activities of the cost-sharing pension plan administered by The Education Retirement Board. This has resulted in the reporting of the net pension liability $20,198,278, deferred inflows of resources $2,993,345, deferred outflows of resources $1,263,492, and net fiduciary position (a component of unrestricted net position) negative $21,928,132.

The College's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the June 30, 2015 fiscal year by $13,104,041 (net position).

The College was substantially successful in accomplishing its goal of completely eliminating its negative unrestricted operating net postion. This occurred through closely monitoring expenses and responding to changing revenues. Also contributing were changing conditions which resulted in the reversal of previously capitalized costs. Due to low current year capital acquisitions, the excess of depreciation over capital acquistions net of retirements decreased capital assets net position. Overall, total net position decreased by $867,084 from the previous year.

The Foundation's cash and investments reflect $318,322 at June 30, 2015, some of which are with local banking institutions.

The College's cash and cash equivalents reflect $570,145 at June 30, 2015 all of which are with local banking institutions.

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report the College's net position and how it has changed. Net position, the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources, is one way to measure the College's financial health or position. Over time, increases or decreases in the College's net position are an indicator of whether its financial health is improving or deteriorating. Non-financial factors are also important to consider, including student enrollment and the condition of campus facilities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following table summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30:

	2015	2014
Assets		
Current assets	**$ 2,636,730**	$ 2,469,861
Capital assets	**32,120,813**	34,495,800
Other non-current assets	**3,029,472**	2,973,682
Total Assets	**$ 37,787,015**	$ 39,939,343
Deferred Outflows of Resources	**$ 1,263,492**	$ -
Liabilities		
Current liabilities	**$ 2,489,493**	$ 3,877,588
Non-current liabilities	**20,463,628**	-
Total Liabilities	**$ 22,953,121**	**$ 3,877,588**
Deferred Inflows of Resources	**$ 2,993,345**	**$ -**
Net Position		
Net investment in capital assets	**$ 32,120,813**	$ 34,495,800
Restricted	**3,029,472**	3,273,037
Unrestricted (deficit)	**(22,046,244)**	(1,707,082)
Total Net Position	**$ 13,104,041**	$ 36,061,755

Composition of Net Position

	2015		2014 (Restated)	
Unrestricted operating position	**$ (118,112)**	**-0.90%**	$ (1,707,082)	-12.21%
Net fiduciary position	**(21,928,132)**	**-167.34%**	(22,090,630)	-158.12%
Net capital assets	**32,120,813**	**245.12%**	34,495,800	246.91%
Restricted	**3,029,472**	**23.12%**	3,273,037	23.43%
	$ 13,104,041	**100.00%**	$ 13,971,125	100.01%

The following table summarizes the College's revenues, expenses, and changes in net position for the years ended June 30:

Revenues, Expenses and Changes in Net Position

	2015	2014
Operating Revenues	**$ 10,155,326**	$ 11,934,225
Operating Expenses	**22,863,616**	23,954,830
Operating Loss	**(12,708,290)**	(12,020,605)
Non-Operating Revenues	**11,608,869**	11,455,496
Other Non-Operating Revenues	**232,337**	1,962,912
Increase (Decrease) in Net Position	**$ (867,084)**	$ 1,397,803
Net position at beginning of year	**$ 36,061,755**	$ 34,663,952
Prior period restatement of pension liability	**(22,090,630)**	-
Restated Net position at beginning of year	**13,971,125**	34,663,952
Net position end of year	**$ 13,104,041**	$ 36,061,755

Summary of Changes in Net Position

	2015	2014
Depreciation expenses in excess of capital acquisitions and retirements	**$ (1,557,486)**	$ 1,397,803
Decrease in overall spending to lessen negative unrestricted net position	**1,289,612**	-
Decrease in capital asset costs due to changing conditions	**(817,499)**	
Decrease in net pension liability	**162,499**	-
Increase in Land Grant Permanent Fund (investment)	**55,790**	
Increase (Decrease) in unrestricted net position	**$ (867,084)**	$ 1,397,803

Operating Revenues

The following table summarizes the College's operating revenues for the years ended June 30:

	2015	2014
Student tuition and fees	$ 3,810,947	$ 4,791,000
Scholarship allowance which applies to tuition and fees	(3,015,058)	(3,003,602)
Federal grants and contracts	7,259,545	8,089,985
State grants and contracts	1,176,028	1,234,529
Other grants and contracts	335,993	148,044
Scholarships and scholarship contributions	-	195,067
State land and permanent fund income	200,971	161,714
Sales and service of auxiliary enterprises	808,914	509,760
Scholarship allowance which applies to sales from auxiliary enterprises	(335,043)	(304,060)
Other operating revenues	(86,971)	111,788
Total Operating Revenues	$ 10,155,326	$ 11,934,225

Operating Expenses

The following table summarizes the College's operating expenses for the years ended June 30. There were no unexpected changes in operating expenses.

	2015	2014
Instruction	$ 7,020,821	$ 7,264,650
Academic support	1,134,328	789,748
Student services	2,295,245	2,019,695
Institutional support	5,042,271	4,788,357
Scholarships	-	-
Public service	445,368	411,762
Student aid grants and stipends	995,663	1,974,152
Plant	287,036	257,626
Operations and maintenance support	1,929,595	1,881,790
Research	-	40,516
Internal service	370,431	1,301,721
Student activities	89,526	96,773
Auxiliary enterprises	921,058	960,547
Athletics	574,778	650,832
Pension liability adjustment expense	(162,499)	-
Depreciation	1,919,995	1,516,661
Total Operating Expenses	$ 22,863,616	$ 23,954,830

Non-Operating Revenues and Expenses

The following table summarizes the College's non-operating revenues and expenses for the years ended June 30:

	2015	2014
State appropriations	**$ 11,553,079**	$ 11,071,165
Investment income (loss)	**55,790**	384,331
Total Non-Operating Revenues	**$ 11,608,869**	$ 11,455,496

Other Non-Operating Revenues

The following table summarizes the College's other non-operating revenues for the years ended June 30:

	2015	2014
Capital appropriations	**$ 232,337**	$ 1,962,912
Total Other Non-Operating Revenues	**$ 232,337**	$ 1,962,912

Capital Assets

At June 30, 2015 and 2014, the College had the following amounts invested in capital assets net of accumulated depreciation:

	2015	2014
Paintings	**$ 28,500**	$ 13,500
Construction in progress	**326,898**	1,873,129
Land and improvements	**6,880,864**	6,880,864
Automobiles	**446,832**	257,499
Buildings	**51,863,382**	50,764,794
Furniture, fixtures and equipment	**2,235,682**	8,354,836
Library books	**3,129,846**	3,121,191
	64,912,004	71,265,813
Accumulated depreciation	**(32,791,191)**	(36,770,013)
Total Capital Assets, Net	**$ 32,120,813**	$ 34,495,800

Only minor capital expenditures were undertaken during the year ended June 30, 2015 which included additions to the both campuses for safety and security enhancements.

Budgetary Highlights

The final budgeted revenues and expenses decreased roughly $1.2 million from the original budgeted amounts due to an early recognition of decreased enrollment and lower grant spending.

Economic Outlook

The College is largely dependent on state appropriations and federal and state grants for its operating funds. The state economic outlook is expected to remain flat with state appropriations seeing little change.

Contacting Northern New Mexico College's Financial Management

The financial report is designed to provide a general overview of Northern New Mexico College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Domingo Sanchez III
Vice-President for Finance and Administration
Northern New Mexico College
921 Paseo De Onate
Espanola, NM 87532

BASIC FINANCIAL STATEMENTS

NORTHERN NEW MEXICO COLLEGE
Statement of Net Position
As of June 30, 2015

	Primary Institution	Component Unit
Assets		
Current Assets		
Cash and Cash Equivalents	$ 570,145	$ 318,322
Receivables, net	1,876,942	13,396
Due from component unit	13,433	-
Inventories	176,210	-
Total Current Assets	2,636,730	331,718
Non-Current Assets		
Endowment investments	3,029,472	3,154,695
Capital assets, net	32,120,813	-
Total Non-Current Assets	35,150,285	3,154,695
Total Assets	$ 37,787,015	$ 3,486,413
Deferred Outflows of Resources		
Deferred outflows related to pension liability	$ 1,263,492	$ -
Total Deferred Outflows	$ 1,263,492	$ -
Liabilities		
Current Liabilities		
Accounts payable	$ 919,468	$ -
Accrued salaries and other benefits	923,079	-
Accrued compensated absences	435,290	-
Due to primary institution	-	13,433
Unearned revenue	210,896	-
Deposits held in trust for others	760	-
Total Current Liabilities	2,489,493	13,433
Non-Current Liabilities		
Funds held for others	265,350	-
Net pension liability	20,198,278	
Total Non-Current Liabilities	20,463,628	-
Total Liabilities	$ 22,953,121	$ 13,433
Deferred Inflows of Resources		
Deferred inflows related to pension liability	$ 2,993,345	$ -
Total Deferred Inflows of Resources	$ 2,993,345	$ -
Net Position		
Net investment in capital assets	$ 32,120,813	$ -
Restricted		
Nonexpendable		
Endowments	3,029,472	3,154,695
Expendable		
Federal student loans	-	
Scholarships, research, instruction and other	-	318,285
Unrestricted (deficit)	(22,046,244)	-
Total Net Position	$ 13,104,041	$ 3,472,980

See Notes to Financial Statements

NORTHERN NEW MEXICO COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Primary Institution	Component Unit
Operating Revenues		
Tuition and fees,		
less scholarship allowance $3,015,058	$ 795,889	$ -
Federal grants and contracts	7,259,545	-
State and local grants and contracts	1,176,028	-
Other grants and contracts	335,993	-
Scholarship and scholarship contributions	-	-
State land and permanent fund income	200,971	-
Sales and services of auxiliary enterprises,		
less scholarship allowance $335,043	473,871	-
Other	(86,971)	246,618
Total Operating Revenues	10,155,326	246,618
Operating Expenses		
Instruction	7,020,821	-
Academic support	1,134,328	-
Student services	2,295,245	-
Institutional support	5,042,271	222,510
Scholarships	-	85,045
Public service	445,368	-
Student aid grants and stipends	995,663	-
Plant	287,036	-
Operations and maintenance support	1,929,595	-
Research	-	-
Internal service	370,431	-
Student activities	89,526	-
Auxiliary enterprises	921,058	-
Athletics	574,778	-
Pension liability adjustment expense	(162,499)	
Depreciation	1,919,995	-
Total Operating Expenses	22,863,616	307,555
Operating Loss	(12,708,290)	(60,937)
Non-Operating Revenues		
State appropriations	11,553,079	-
Investment income	55,790	69,449
Net Non-Operating Revenues	11,608,869	69,449
Other Non-Operating Revenues		
Capital appropriations	232,337	-
Net Other Non-Operating Revenues	232,337	-
Decrease in Net Position	(867,084)	8,512
Net Position, Beginning of Year	36,061,755	3,464,468
Prior period restatement of pension liability	(22,090,630)	-
Restated Net Position, Beginning of Year	13,971,125	3,464,468
Net Position, End of Year	$ 13,104,041	$ 3,472,980

See Notes to Financial Statements

NORTHERN NEW MEXICO COLLEGE
Statement of Cash Flows
For The Year Ended June 30, 2015

	Primary Institution
Cash Flows From Operating Activities	
Tuition and fees	$ 797,498
Grants and contracts	8,872,817
Sales and services of educational activities	473,871
Other operating receipts	31,625
Payments to employees for salaries and benefits	(13,897,096)
Payments to suppliers	(6,529,361)
Scholarships	-
Loans and grants issued to students and employees	(730,313)
Net Cash Used by Operating Activities	(10,980,959)
Cash Flows From Non-Capital Financing Activities	
State appropriations - non-capital	11,553,079
Investment income	-
Net Cash Provided by Non-Capital Financing Activities	11,553,079
Cash Flows From Capital and Related Financing Activities	
State appropriations - capital	232,337
Purchases of capital assets	(362,507)
Net Cash Used by Capital and Related Financial Activities	(130,170)
Net Increase in Cash and Cash Equivalents	441,950
Cash and Cash Equivalents, Beginning of Year	128,194
Cash and Cash Equivalents, End of Year	$ 570,144

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities

Operating loss	$ (12,708,290)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,919,995
Capital asset cost adjustments	817,499
Pension liability adjustment	(162,499)
Changes in assets and liabilities:	
Receivables	(530,668)
Student accounts receivable	(36,606)
Pledges receivable	-
Loan receivables	38,215
Other receivables	631,918
Due from component unit	(98,080)
Inventories	185,655
Accounts payable	(1,336,446)
Accrued salaries and other benefits	5,759
Accrued compensated absences	11,534
Unearned revenue	15,605
Deposits held in trust for others	100
Funds held for others	265,350
Net Cash Used by Operating Activities	$ (10,980,959)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Creation and Purpose of Entity*.** Northern New Mexico College (the College) was created under Section 21-8-1 New Mexico Statutes Annotated (NMSA), Article XII, Section 11 of the New Mexico State Constitution. Under Article XII, Section 13 of the New Mexico Constitution, the College is governed by a five-member Board of Regents appointed by the Governor, with the advice and consent of the Senate, for six-year terms.

The College was originally founded in 1909 by the New Mexico Territorial Legislature. The original mission of the College was to teach English to Spanish speaking teachers in the area. Technical-vocational programs were instituted during the 1960's. In 1969, the College became a full-time post secondary technical-vocational school. In 1977 the New Mexico Legislature passed enabling legislation to merge the College and the Northern Branch of the University of New Mexico. In 2005, the College changed its name because it began offering four-year degree programs.

The College is a two-year and four-year degree granting institution of higher learning. The College offers degrees in biology, business administration, elementary education, engineering, environmental science, information technology, and nursing. The College's main campus is located in Española, New Mexico, and its branch campus is located in El Rito, New Mexico.

Basis of Presentation. The College and the Foundation present their financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB 35, *Basic Financial Statements--and Management's Discussion and Analysis--for Public Colleges and Universities--an amendment of GASB 34*, provides a comprehensive entity-wide perspective of the College's assets, liabilities, and net position; revenues, expenses and changes in net position; and cash flows.

Reporting Entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose is will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The College is part of the primary government of the State of New Mexico; however, these basic financial statements are intended to present the net position, changes in net position and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to and do not, present fairly the net position of the State of New Mexico as of June 30, 2015, and the changes in net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accompanying financial statements of the College include all funds and activities over which the College has oversight responsibility, including its discretely presented component unit, the Northern New Mexico Foundation (The Foundation).

An agreement between the Foundation and the College was entered into on March 12, 1997. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose of the Foundation as raising supplementary funds for the College.

Basis of Accounting. For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

Budget. The College follows the requirements established by the State of New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through HED's policy that, when the appropriation has been made to the College, its Board of Regents can, in general, adopt an operating budget within the limits of available income. Additions to capital assets are reported as expenditures on the budget basis, but not on a basis required by generally accepted accounting principles (GAAP). Depreciation expense, pension liability adjustment and scholarship allowance are GAAP requirements not included on the budget basis submitted to HED.

Procedures for Approval of Operating Budgets

1) The College will submit an original typed copy that has been approved by the College's regents to the HED's office by May 1st.

2) The HED meets in June and acts on approval of the budgets.

3) The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1st.

In accordance with House Bill 2, in general, unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for appropriation by the College in subsequent years.

Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and all highly-liquid investments with original maturities of six months or less. For purposes of the Statement of Cash Flows, cash and cash equivalents include demand deposits and money market accounts with an original maturity of three months or less.

Investments. The College accounts for its investments at fair value. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The College's investment policy requires that endowment and similar funds only be invested with either the State of New Mexico's Investment Council, the State Treasurer's Local Government Investment Pool, or with government-insured financial institutions with offices in New Mexico. The Foundation does have a specific investment policy, but its investments are not regulated by the State of New Mexico.

The Foundation originally records marketable securities purchased at cost. Marketable securities received by gift are recorded at estimated fair value at the date of donation. Marketable securities are carried by the Foundation at fair value. Third-party investment managers administer substantially all marketable securities of the Foundation. Gains and losses resulting from securities transactions are recorded in investment income.

The income derived from the College's undivided interest in the Land Grant Permanent Fund under the control of the State of New Mexico Commissioner of Public Lands is distributed monthly to the College.

Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act (46-9-1 to 46-9-12 NMSA), except where a donor has specified otherwise.

Contracts and Grants Receivable. Contracts and grants receivable are amounts due from the federal government, state and local governments or private resources in connection with reimbursement of allowable expenditures made pursuant to the College's grant awards. Contract and grant receivables are recorded net of estimated uncollectible amounts.

Student Accounts Receivable. The College records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain an adequate allowance for probable losses.

Loan Receivables. Loan receivables are amounts due from Perkins loans made by the College to students. Loan receivables are recorded net of estimated uncollectible amounts.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories. Inventories are generally stated at the lower of cost (average cost) or market. Cost is determined by using the retail method for bookstore items and the average cost method for other items. Inventories consist of items which are available for resale to individuals and other College departments.

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Pursuant to the College's capitalization policy, capital assets with a unit cost of $5,000 or greater are capitalized. The College includes software purchased with a piece of equipment in the cost of capitalization. Software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, or land improvements that significantly increase the value, increase the productivity, or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The College does not currently capitalize historical treasures or works of art.

Depreciation for the College is computed using the straight-line method over the estimated useful lives of the assets. Generally, buildings, infrastructure and land improvements are depreciated over 40 years; library books are depreciated over 10 years; and equipment is depreciated over 5 years. Land is not depreciated.

Compensated Absences. Accumulated annual leave is reported as a liability in the current unrestricted and restricted funds. Annual leave earned is immediately vested unless the employee is in a six month probationary period, but only 192 hours of annual leave are available for carryover at year end.

Unearned Revenue. Revenue for each academic session is reported within the fiscal year during which the session is completed. Receipts for the summer session beginning in May, and amounts charged to the accounts of students pre-registering for fall semester, are reported as unearned revenue in the accompanying financial statements.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position. The College's net position is classified as follows:

Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The College does not have any related debt associated with its investment in capital assets.

Restricted Net Position – Nonexpendable. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Position – Expendable. Restricted expendable net position consists of resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Position. Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted, and then toward unrestricted resources.

Classification of Revenues. The College has classified its revenues as either operating or non-operating revenues, according to the following criteria:

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances, 2) most federal, state and local grants and contracts and federal appropriations, and 3) interest on institutional student loans.

Non-operating Revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That use Proprietary Fund Accounting,* and GASB 34.

State Appropriations. Unexpended appropriations generally do not revert to the State of New Mexico at the end of the year and are available to the College in subsequent years.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-operating Revenues (continued)

Tuition and Fees. Student tuition and fees are recorded as revenue during the fiscal year in which the session is completed. The Board of Regents determines the rates to be charged to students.

Grant and Contract Revenue. Grant and contract revenues are recognized at the time the expenditure is incurred, if the expenditure of funds is the prime factor for determining eligibility for reimbursement.

Tax Status. As a post-secondary College, the College's income is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code to the extent the income is derived from essential governmental functions.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no material unrelated business income during the year ended June 30, 2015; therefore, no provision for income taxes has been included in the financial statements.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in current year financial statements.

NOTE 2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2015 is as follows:

The College		
Cash and Cash Equivalents:		
Cash on hand	$	4,547
Deposits with financial institutions		565,598
		570,145
Investments:		
Interest in State Land Grant Permanent Fund		3,029,472
Total Cash and Cash Equivalents and Investments	$	3,599,617
The Foundation		
Cash and Cash Equivalents:		
Cash on hand		300
Deposits with financial institutions		318,022
		318,322
Investments:		
Mutual funds		2,833,551
Real Estate Investment Trust		321,144
		3,154,695
Total Cash and Cash Equivalents and Investments	$	3,473,017

Investment Policy. The College utilizes certificates of deposit to invest its excess funds. The College could also invest in the short-term investment pool held by the New Mexico State Treasurer, but it has not utilized this option. The College automatically has an undivided interest in the State of New Mexico Land Grant Permanent Fund (Note 7). The Foundation's investment policy authorizes monies to be invested in equity and debt securities of United States institutions, corporate and government securities.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the College or the Foundation. The College did not have any investments at June 30, 2015, other than its undivided interest in the State of New Mexico Land Grant Permanent Fund. The credit risk for this interest was not available. Credit ratings were not available from the investments held by the Foundation.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The College and the Foundation do not have formal investment policies that limit investment maturities as a means of managing its exposure to changing interest rates. The College did not have any investments at June 30, 2015, other than its interest in the State of New Mexico Land Grant Permanent Fund. The interest rate risk for its interest in the State of New Mexico Land Grant Permanent Fund was not available.

NOTE 2. CASH AND INVESTMENTS (continued)

The Foundation's investments were not interest-bearing obligations, so they were not subject to interest rate risk at June 30, 2015.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2015, so it was not subject to any concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2015:

NFP Securities Inc	J7M-087777	$ 1,169,234	37.05%
NFP Securities Inc	J7M-087778	862,290	27.33%
NFP Securities Inc	J7X-003305	660,302	20.93%
Griffin Capital	91018287	104,000	3.30%
Griffin Capital	91018283	104,000	3.30%
NFP Securities Inc	J7M-089548	73,044	2.32%
Griffin Capital	91017960	72,800	2.31%
NFP Securities Inc	J7M-089547	68,681	2.18%
KBS REITs	27412	40,344	1.28%
Total Foundation Investments		$ 3,154,695	100.00%

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of a depository institution failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party.

New Mexico statutes, Section 6-10-16 and 6-10-17 NMSA 1978, require that financial institutions with public monies on deposit pledge collateral in an amount not less than 50 percent of the public monies held on deposit that not are insured by the federal deposit insurance corporation.

At June 30, 2015, the College's deposits had carrying amounts of $565,598 and bank balances of $714,253. Of the bank balances, $659,219 was covered by federal depository insurance corporation at June 30, 2015, and $55,034 was uninsured. Of the uninsured amounts, 50%, or $27,517, was collateralized with securities totaling $287,662, held by the financial institution in the College's name.

The College has no policy regarding custodial credit risk for deposits.

NOTE 2. CASH AND INVESTMENTS (continued)

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation had custodial credit risk exposure at June 30, 2015, because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

At June 30, 2015, the Foundation's deposits had carrying amounts of $318,022 and bank balances of $313,201. The Foundation is not required to have pledged collateral on excess balances.

NOTE 3. RECEIVABLES

The various sources of receivables at June 30, 2015 were as follows:

Grants and Contracts Receivable				
Amounts due from state and local agencies, as well as amounts due from the federal government represent expenditures to be reimbursed under various cost-sharing agreements. It is the opinion of management that no allowance for doubtful accounts was needed.			$	1,317,140
Student Accounts Receivable				
Amounts due from students are for tuition and fees not covered by financial aid.				
Total due	$	1,412,165		
Allowance for doubtful receivables		(1,213,209)		
Net reported balance	$	198,956		198,956
Loans Receivable				
Loans consisted of Federal Perkins loans in the amount of				182,431
Other Receivables				
Capital Grants				52,869
Miscellaneous Receivables				125,546
Total Receivables, net			$	1,876,942

NOTE 4. INVENTORIES

Inventory at June 30, 2015 was as follows:

Bookstore inventory	$	159,746
Central supply inventory		8,919
Cafeteria inventory		7,545
	$	176,210

NOTE 5. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2015 as follows:

	Balance June 30, 2014	Additions	Deletions / Adjustments	Transfers	**Balance June 30, 2015**
Capital Assets Not Being Depreciated:					
Art	$ 13,500	$ -	$ -	$ 15,000	**$ 28,500**
Construction in progress	1,873,129	97,738	(641,518)	(1,002,451)	**326,898**
Land and improvements	6,880,864				**6,880,864**
Total Capital Assets not Being Depreciated	8,767,493	97,738	(641,518)	(987,451)	**7,236,262**
Capital Assets Being Depreciated:					
Automobiles	257,499		(6,600)	195,933	**446,832**
Building and improvements	50,764,794	96,137		1,002,451	**51,863,382**
Furniture, fixtures and equipment	8,354,836	159,977	(6,068,198)	(210,933)	**2,235,682**
Library materials	3,121,191	8,655			**3,129,846**
Total Capital Assets Being Depreciated	62,498,320	264,769	(6,074,798)	987,451	**57,675,742**
Total Capital Assets	71,265,813	362,507	(6,716,316)	-	**64,912,004**
Less accumulated depreciation for:					
Automobiles	94,086	87,313	(6,600)	181,215	**356,014**
Building and improvements	26,849,734	1,282,852			**28,132,586**
Furniture, fixtures and equipment	7,330,406	381,803	(5,892,217)	(181,215)	**1,638,777**
Library materials	2,495,787	168,027			**2,663,814**
Total Accumulated Depreciated	36,770,013	1,919,995	(5,898,817)	-	**32,791,191**
Total Capital Assets Being Depreciated, Net	25,728,307	(1,655,226)	(175,981)	987,451	**24,884,551**
Total Capital Assets, Net	$ 34,495,800	$ (1,557,488)	$ (817,499)	$ -	**$ 32,120,813**

The College does not capitalize interest expense because its additions are not financed by any debt of the College.

NOTE 6. COMPENSATED ABSENCES

A summary of changes in compensated absences for the year ended June 30, 2015 follows:

	Balance June 30, 2014	Increase	Decrease	**Balance June 30, 2015**	Amount Due Within One Year
Compensated absences	$ 423,756	$ 296,172	$ (284,638)	**$ 435,290**	$ 435,290

NOTE 7. INTEREST IN STATE LAND GRANT PERMANENT FUND

State Investment Council. The College has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund (Permanent Fund) managed by the State Investment Council. At June 30, 2015, the cost and fair market value of such interest is $1,653,769 and $3,029,472, respectively. These investments are not categorized by custodial risk.

The College's undivided interest in the Permanent Fund was .020456% at June 30, 2015. The College's undivided interest in the Permanent Fund increased by $55,790.

NOTE 8. OPERATING LEASES

The College leases certain office space and office equipment under lease agreements with terms ranging from one year to five years. Expenditures for operating leases for the year ended June 30, 2015 were $229,325. Future minimum lease payments under these operating leases are as follows:

2015	$ 164,564
2016	147,070
2017	149,576
2018	149,576
2019	149,576
	$ 760,362

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan Description. Substantially all of the College's full-time employees participate in a public employee retirement system administered by ERB. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A members' retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibly requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, re-employed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the members' accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in the CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero.

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of the retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of defined benefit plan members and the College are established in the state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning $20,000 or less contributed 7.90% and employees earning more than $20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning $20,000 or less continued to contribute 7.90% and employees earning more than $20,000 contributed an increased amount of 10.70% of gross annual salary. Contributions to the pension plan from the College were $1,263,492 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The total ERB pension liability, net pensions liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015 the College reported a liability of $20,198,278 for its proportionate share of the net pension liability. The College's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the College's proportion was 0.354000%, which was a decrease of 0.018380% from its proportion measured as of June 30, 2013.

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

For the year ended June 30, 2015 the College recognized pension expense of $1,100,993. At June 30, 2015 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actuarial experience	$ -	$ (300,883)
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(1,836,111)
Changes in proportion and differences between College contributions and proportionate share of contributions	-	(856,351)
College contributions subsequent to the measurement date	1,263,492	-
Total	$ 1,263,492	$ (2,993,345)

The $1,263,492 reported as deferred outflows of resources related to pensions relating from College contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (860,846)
2017	$ (860,845)
2018	$ (812,626)
2019	$ (459,028)
2020	$ -
Total:	$ (2,993,345)

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

***Actuarial assumptions*.** As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than $20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.

2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.

3. COLAs for most retirees are reduced until ERB attains a 100% funded status.

4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based on table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return on projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocations for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

Discount rate. A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single rate discount was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefits payments to determine a single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75) than the current rate.

		1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The College's proportionate share of the net pension liability				
	2014	$27,482,099	$20,198,278	$14,114,330

Pension plan fiduciary net position. Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at wwww.nmerb.org.

NOTE 10. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

NOTE 10. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure that actuarial soundness of the benefits provided under the Retiree Health Care Act.

The College's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were $173,141, $188,220, and $196,188, respectively, which equal the required contributions for each year.

NOTE 11. RISK MANAGEMENT

New Mexico Statutes (Section 15-7-2 NMSA 1978) require Risk Management Division (RMD) to be responsible "for the acquisition and administration of all insurance purchased by the State." Various statutes allow RMD to insure, self-insure and use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of New Mexico, General Services Department.

NOTE 11. RISK MANAGEMENT (continued)

The College is exposed to various risks of loss related to general, automobile and aircraft liabilities, including those relating to civil rights (torts); theft of, damage to and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and natural disasters, all of which are insured against by participation in the public entity risk pool described above, subject to limits of coverage set by RMD. All employees of the College are covered by a blanket fidelity bond up to $5,000,000, with a $1,000 deductible per occurrence, by the State of New Mexico for the period July 1, 2014 through June 30, 2015.

The College is currently a party to litigation claims in the ordinary course of business and which is anticipated to be within the coverage provided by RMD. After conferring with Legal counsel concerning pending litigation and claims, the College administration believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the College.

NOTE 12. DISCRETELY PRESENTED COMPONENT UNIT

The Northern New Mexico College Foundation (the Foundation) is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College. The Foundation owed the College $13,433 at June 30 2015 for reimbursement of scholarship funds. The Foundation does not issue separate financial statements.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The various federal and state grants and programs are subject to audit by governmental agencies. These audits may result in disallowance of claimed reimbursable expenditures under rules and regulations of the various grants and programs. Management believes that the amounts of potential disallowances, if any, will not be material to the financial position or the operations of the College.

NOTE 14. RESTATEMENT OF FINANCIAL STATEMENTS FOR NET PENSION LIABILITY

The Governmental Accounting Standards Board (GASB) issued a new accounting pronouncement (Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27) effective July 1, 2014. As a cost-share employer participating in the ERB Pension Plan (Plan) (see note 10), the District has included in its June 30, 2015 financial statements, the pro rata share of the Plan's collective "Net Pension Liability". The Plan's "Net Pension Liability" represents the difference between Plan's Total Plan Liability and the Plan's Net Plan Position, reported at the market value of the investment assets. With the adoption of the new accounting pronouncement, the District has reduced its unrestricted net position the beginning of the fiscal year in the in the amount of $22,090,630.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the College's Proportionate Share of Net Pension Liability
Education Retirement Board (ERB) Plan - Last 10 Fiscal Years*

		2015
College's proportion of the net pension liability (asset)		0.35400%
College's proportionate share of the net pension liability (asset)	$	20,198,278
College's covered - employee payroll	$	9,820,806
College's proportionate share of the net pension liability (asset) as a percentage of covered payroll		205.67%
Plan fiduciary net position as a percentage of total pension liability		66.54%

Schedule of the College's Contributions
Education Retirement Board (ERB) Plan - Last 10 Fiscal Years*

		2015
Contractually required contribution	$	1,263,492
Contributions in relation to contractually required contributions	$	1,263,492
Contribution deficiency (excess)	$	-
College's covered - employee payroll (actual)	$	9,820,806
Contributions as a percentage of covered-employee payroll		13.07%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

Related Notes

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the benefits provided subsection of the financial satement note disclosure on the ERB Pension Plan (Note 9).

Changes of assumptions. The ERB conducts an actuarial experience study for the ERB Pension Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 2013.

1. Fiscal Year 2014 and 2013 valuation assumptions that changed based on this study:
   a. Lower wage inflation from 4.75% to 4.25%
   b. Lower payroll growth from 3.75% to 3.50%
   c. Minor changes to demographic assumptions
   d. Population growth per year from 0.75% to 0.50%

2. Assumptions that were not changed:
   a. Investment return will remain at 7.75%
   b. Inflation will remain at 3.00%

See also the actuarial assumptions subsection of the financial statement note disclosure on the Pension Plan (Note 9).

SUPPLEMENTARY INFORMATION

NORTHERN NEW MEXICO COLLEGE
Budgetary Comparison - Restricted and Unrestricted - All Operations (Modified Accrual)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Modified Accrual)	(Unfavorable)
Beginning, Fund Balance (Modified Accrual Basis)	$ 3,258,600	$ (1,707,084)	$ (1,707,084)	$ -
Revenues				
State government appropriations	12,658,830	12,667,221	11,785,415	(881,806)
Federal government contracts and grants	10,106,616	7,732,470	7,259,543	(472,927)
State government contracts and grants	1,121,638	1,245,625	1,176,028	(69,597)
Local government contracts and grants	80,000	-	-	-
Private gifts, grants, and contracts	75,000	356,860	335,993	(20,867)
Tuition and miscellaneous fees	4,682,450	3,759,764	3,810,947	51,183
Land and permanent fund	148,613	143,779	200,971	57,192
Sales and services	512,474	751,255	808,914	57,659
Other	212,102	153,079	216,856	63,777
Total Revenues	29,597,723	26,810,053	25,594,667	(1,215,386)
Expenditures				
Instruction	7,201,494	7,072,985	7,020,822	52,163
Student social and cultural activities	103,202	98,810	89,526	9,284
Academic support	1,072,476	1,167,164	1,134,329	32,835
Student services	2,693,761	2,306,431	2,295,244	11,187
Institutional support	6,386,342	5,080,884	5,042,271	38,613
Operation and maintenance of plant	2,021,988	1,944,601	1,929,595	15,006
Research	-	-	-	-
Public service	436,670	452,052	445,368	6,684
Internal service	1,442,749	372,599	370,431	2,168
Auxiliary enterprises	831,693	923,583	921,058	2,525
Capital outlay	1,008,330	1,019,071	(303,980)	1,323,051
Renewal and replacement	504,349	219,662	136,024	83,638
Student aid, grants, and stipends	5,378,397	4,528,333	4,345,764	182,569
Intercollegiate athletics	554,761	653,089	574,777	78,312
Total Expenditures	29,636,212	25,839,264	24,001,229	1,838,035
Net Transfers - In (Out)	-	-	-	-
Change in Fund Balance (Modified Accrual Basis)	(38,489)	970,789	1,593,438	622,649
Ending, Fund Balance (Modified Accrual Basis)	$ 3,220,111	$ (736,295)	$ (113,646)	$ 622,649

NORTHERN NEW MEXICO COLLEGE
Budgetary Comparison - Restricted - Instruction and General (Modified Accrual)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Modified Accrual)	(Unfavorable)
Beginning, Fund Balance (Modified Accrual Basis)	$ -	$ -	$ -	$ -
Revenues				
State government appropriations	-	-	-	-
Federal government contracts and grants	5,509,945	4,025,957	3,885,032	(140,925)
State government contracts and grants	225,779	442,842	377,913	(64,929)
Local government contracts and grants	-	-	-	-
Private gifts, grants, and contracts	-	116,860	118,319	1,459
Tuition and miscellaneous fees	-	-	-	-
Land and permanent fund	-	-	-	-
Sales and services	-	-	-	-
Other	-	6,833	42,004	35,171
Investment Income	-	-		-
Total Revenues	5,735,724	4,592,492	4,423,268	(169,224)
Expenditures				
Instruction	1,998,062	1,860,071	1,768,133	91,938
Student social and cultural activities	-	-	-	-
Academic support	63,143	155,294	93,139	62,155
Student services	1,340,308	1,206,139	1,176,990	29,149
Institutional support	2,285,119	1,326,602	1,258,435	68,167
Operation and maintenance of plant	8,695	7,953	9,985	(2,032)
Research	-	-	-	-
Public service	-	-	-	-
Internal service	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants, and stipends	-	-	-	-
Independent operations	-	-	-	-
Intercollegiate athletics	-	-	-	-
Total Expenditures	5,695,327	4,556,059	4,306,682	249,377
Net Transfers - In (Out)	(40,397)	(36,433)	(116,586)	(80,153)
Change in Fund Balance (Modified Accrual Basis)	-	-	-	-
Ending, Fund Balance (Modified Accrual Basis)	$ -	$ -	$ -	$ -

NORTHERN NEW MEXICO COLLEGE
Budgetary Comparison - Unrestricted - Instruction and General (Modified Accrual)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Modified Accrual)	(Unfavorable)
Beginning, Fund Balance (Modified Accrual Basis)	$ 5,225,439	$ (1,859,428)	$ (1,859,428)	$ -
Revenues				
State government appropriations	11,232,200	11,107,500	11,097,714	(9,786)
Federal government contracts and grants	4,000	3,230	(2,681)	(5,911)
State government contracts and grants	-	-	-	-
Local government contracts and grants	-	-	-	-
Private gifts, grants, and contracts	-	-	-	-
Tuition and miscellaneous fees	3,827,303	3,144,784	3,165,401	20,617
Land and permanent fund	148,613	143,779	200,971	57,192
Sales and services	2,121	678	-	(678)
Other	26,564	75,292	124,166	48,874
Investment Income	-	-		-
Total Revenues	15,240,801	14,475,263	14,585,571	110,308
Expenditures				
Instruction	5,203,432	5,212,914	5,252,689	(39,775)
Student social and cultural activities	-	-	-	-
Academic support	1,009,333	1,011,870	1,041,190	(29,320)
Student services	1,353,453	1,100,292	1,118,254	(17,962)
Institutional support	4,101,223	3,754,282	3,783,836	(29,554)
Operation and maintenance of plant	2,013,293	1,936,647	1,919,610	17,037
Research	-	-	-	-
Public service	-	-	-	-
Internal service	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants, and stipends	-	-	-	-
Independent operations	-	-	-	-
Intercollegiate athletics	-	-	-	-
Total Expenditures	13,680,734	13,016,005	13,115,579	(99,574)
Net Transfers - In (Out)	(1,557,763)	(559,093)	271,969	831,062
Change in Fund Balance (Modified Accrual Basis)	2,304	900,165	1,741,961	841,796
Ending, Fund Balance (Modified Accrual Basis)	$ 5,227,743	$ (959,263)	$ (117,467)	$ 841,796

NORTHERN NEW MEXICO COLLEGE
Reconciliation of Budgetary Basis (Modifed Accrual) to Financial Statement Basis (Accrual) - Restricted and Unrestricted - All Operations
For the Year Ended June 30, 2015

Total Restricted and Unrestricted Revenues:		
Budgetary Basis (Modified Accrual)	$	25,594,667
Reconciling items:		
Scholarship allowance (not in modified accrual basis)		(3,350,101)
Other revenue (not in modified accrual basis)		(248,034)
Total reconciling items		(3,598,135)
Financial Statement Basis	$	21,996,532
Basic Financial Statements		
Operating revenues	$	10,155,326
Non-operating revenues		11,841,206
Total Restricted and Unrestricted Revenues Per Financial Statements	$	21,996,532
Total Restricted and Unrestricted Expenditures:		
Budgetary Basis (Modified Accrual)	$	24,001,229
Reconciling items:		
Scholarship allowance (not in modified accrual basis)		(3,350,101)
Capital outlay (not in financial statements)		454,992
Pension liability adjustment expense		(162,499)
Depreciation expense (not in modified basis)		1,919,995
Total reconciling items		(1,137,613)
Financial Statement Basis	$	22,863,616
Basic Financial Statements		
Operating expenditures	$	22,863,616
Non-operating expenditures		-
Total Restricted and Unrestricted Expenditures Per Financial Statements	$	22,863,616

OTHER SUPPLEMENTARY INFORMATION

NORTHERN NEW MEXICO COLLEGE
Schedule of Deposit Accounts
As of June 30, 2015

Depository/Account Name	Type of Account	Cash per Bank June 30, 2015	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash (Deficit) Balance June 30, 2015
COLLEGE						
Century Bank						
General	Checking*	$ 100,268	$ -	$ (379,157)	$ 227,315	$ (51,574)
Payroll	Checking*	782	-	(2,459)	-	(1,677)
Student	Checking*	923	-	-	4,444	5,367
Savings	Savings*	201,032	-	-	5	201,037
Bank of America						
Payroll	Checking	252,247	-	-	-	252,247
Perkins	Checking*	39,600	-	-	159	39,759
Luis Bustos	Checking*	6,674	-	-	-	6,674
Federal	Checking*	6,513	-	-	-	6,513
Community Bank						
General	Checking	106,214	1,038	-	-	107,252
Cash in Bank		714,253	1,038	(381,616)	231,923	565,598
Petty Cash and Cash Drawers		4,547	-	-	-	4,547
Total College Cash and Cash Equivalents		$ 718,800	$ 1,038	$ (381,616)	$ 231,923	$ 570,145
FOUNDATION						
Century Bank						
Operating	Checking*	$ 1,433	$ -	$ (368)	$ (225)	$ 840
Marketing	Checking*	156,634	-	-	304	156,938
On-line Giving	Checking*	155,134	-	-	5,110	160,244
Cash in Bank		313,201	-	(368)	5,189	318,022
Petty Cash and Cash Drawers		300	-	-	-	300
Total Foundation Cash and Cash Equivalents		$ 313,501	$ -	$ (368)	$ 5,189	$ 318,322

* Indicates the account is interest bearing

NORTHERN NEW MEXICO COLLEGE
Schedule of Pledged Collateral
As of June 30, 2015

COLLEGE:

Pledged Collateral: Safekeeping Location	Pledged Collateral: Type of Security	Century Bank	Community Bank	Bank of America	Total
Funds on Deposit					
Demand deposits		$ 101,973	$ 106,214	$ 305,034	$ 513,221
Savings deposits		201,032	-	-	201,032
Total		303,005	106,214	305,034	714,253
FDIC Insurance					
Demand deposits		(101,973)	(106,214)	(250,000)	(458,187)
Time and savings deposits		(201,032)	-	-	(201,032)
Total Uninsured Public Funds		$ -	$ -	$ 55,034	$ 55,034
Fifty Percent Collateral Requirement Per Section 6-10-17 NMSA		$ -	$ -	$ 27,517	$ 27,517
Pledged Collateral, Par Value					
FNCL POOL-AO0758 3.50000 Mkt Value $298,197 Fed Natl Mtg Assn Symbol: FNMA3842022 Richmond, VA Matures: 4/1/2042 CUSIP #: 3138LQZY3		-	-	287,662	287,662
		-	-	287,662	287,662
Deficiency / (Excess) of Pledged Collateral		$ -	$ -	$ (260,145)	$ (260,145)

FOUNDATION:

The Foundation is not required to have pledged collateral on excess cash balances.

NORTHERN NEW MEXICO COLLEGE
Schedule of Collaborative Partnerships
As of June 30, 2015

Participants	Beginning and Ending Dates	Amount Incurred in Current Year	Contact	Description
Memorandum of Understanding				
NNMC and Northern New Mexico Normal School Alumni Association (NNMNSAA)	May 21, 2015 to May 21, 2017 with extension option	$ -	Chairman NNMC Board of Regents and President NNMNSAA	Cooperation, collaboration in supporting mutually agreed efforts in support of Northern New Mexico College and Northern New Mexico Normal School Alumni Association
NNMC and NNMC Foundation	October 16, 2008 Ongoing	$ 112,917	Chairman NNMC Board of Regents and Chair NNMC Foundation	Sets up financial and strategic arrangement between entities.
NNMC and (Eight Northern Indian Pueblo Council, Inc. (ENIPC, Inc.)	August, 2006 Ongoing	$ -	Chairman NNMC Board of Regents and Chairman of ENIPC, Inc	Formalize the relationship between NNMC and Eight Northern Indian Pueblo Council.
Memorandum of Agreement				
NNMC and Espanola Farmers Market Board	December 15, 2006 December 15, 2026	$ 4,400	NNMC President and President Espanola Farmers Market	Allows for collaboration between the College and the Espanola Farmers Market
NNMC and the Peñasco School District	July 15, 2014 May 30, 2015	$ -	NNMC Vice-President for Advancement and Peñasco School District Board	Provides space for High School students to complete homework and receive tutoring services while on campus. Also articulates institution's commitment to work with district on course scheduling.
NNMC and El Rito Regional Water and Wastewater Association (ERRW&WA)	July 15, 2010 July 15, 2015	$ -	NNMC President and ERRW&WA President	Lease of space in exchange for opportunities of internship in acequia management.

NORTHERN NEW MEXICO COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/ Pass-Through Agency/ Name of Program	Pass-Through Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
U.S. Department of Education Programs			
Direct Student Financial Assistance Cluster			
Supplemental Education Opportunity Grant (SEOG)		84.007	90,179
Federal Work Study		84.033	110,394
Federal Pell Grant		84.063	2,587,591
Federal Direct Loans Subsidized		84.268	424,640
Federal Direct Loans Unsubsidized		84.268	200,809
Federal Perkins Loans		84.038	16,500
Total Student Financial Assistance Cluster			3,430,113
Direct TRIO			
Educational Opportunity Center		84.066	469,696
Direct Higher Education Institutional Aid			
Title III			
Northern Rio Grande STEM Collaborative		84.031C	1,196,159
Title V			
Title V - Exito		84.031S	623,244
Title V - Avance		84.031M	423,347
Subtotal Higher Education Institutional Aid			2,242,750
Direct Migrant Education			
High School Equivalency Program		84.141	55,815
Direct College Assistance			
College Assistance Migrant Program		84.149A	427,787
U.S. Department of Education Pass-through Programs			
Pass-through State of New Mexico			
Perkins - Career and Technical Training	V046A1100031	84.048	102,718
Perkins - Redistribution		84.048	14,477
Adult Basic Education	V002A110032	84.002	71,459
College Access Challenge Grants	P378A110052	84.378	57,948
Subtotal Pass-through State of New Mexico (non-ARRA)			246,602
TOTAL U.S. DEPARTMENT OF EDUCATION PROGRAMS			**6,872,763**
U.S. DEPARTMENT OF ENERGY			
Environmental Data Access Center		81.214	209
Pass-through Program			
Environmental Remediation and Waste Processing Disposal	E-EM00001367	81.104	62,920
TOTAL U.S. DEPARTMENT OF ENERGY			**62,920**
TOTAL U.S. DEPARTMENT OF ENERGY PROGRAMS			**63,129**

NORTHERN NEW MEXICO COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/ Pass-Through Agency/ Name of Program	Pass-Through Number	Federal CFDA Number	Federal Expenditures
NATIONAL SCIENCE FOUNDATION			
Research and Development			
Direct Program			
Education and Human Resources - CRI		47.076	11,274
Subtotal Direct Research and Development			11,274
Pass-through Programs			
Pass-through New Mexico Tech			
Education and Human Resources-NM STEM Transfer Coalition	DUE-1161334	47.076	32,844
Subtotal Pass-through - Research and Development			32,844
Subtotal Research and Development			44,118
Non-Research and Development			
Direct Programs			
Education and Human Resources - NOYCE		47.076	69,672
Education and Human Resources - DUE PEARL		47.076	91,545
Subtotal Direct - Non-Research and Development			161,217
Pass-through Programs			
Pass-through New Mexico State University			
Education and Human Resources - NM Alliance for Minority Participation	HRD-0803171	47.076	16,462
Pass-through Missouri State University:			
Education and Human Resources - VESTA National Center of Excellence	DUE-1104205	47.076	55,759
Subtotal Pass-through - Non-Research and Development			72,221
Subtotal Education and Human Resources			277,556
Pass-through New Mexico State University			
Biomedical Research and Research Training - NM INBRE	2P20GM103451-14	93.859	65,276
Subtotal Trans-Biomedical Research and Research Training			65,276
TOTAL NSF PROGRAMS			**342,832**
TOTAL FEDERAL PROGRAMS			**7,278,724**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal Awards (the schedule) includes the federal grant activity of the College under programs of the Federal Government for the year ended June 30, 2015. The information in this schedule is presented in accordance with OMB circular A-133, *Audits of state, local governments, and non-profit organizations.* Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

NOTE 3. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

NOTE 4. STUDENT FINANCIAL ASSISTANCE

The College administers the Perkins Loan Program. The Schedule of Expenditures of Federal Awards includes an amount, which represents administrative costs and new loans processed during the year ended June 30, 2015. Perkins Loans awarded for the year ended June 30, 2015 totaled $16,500. As of June 30, 2015, the outstanding student loan balance under the federal Perkins Loan Program was $182,431.

NOTE 5. SUB-RECIPIENTS

The following presents the funds passed to sub-recipients during the year ended June 30, 2015:

Sub-recipients	FY 15 Expenses
Title III - Northern Rio Grande STEM Collaborative:	
Santa Fe Community College	$ 343,394
University of New Mexico - Taos	190,350
University of New Mexico - Los Alamos	358,307
Total	$ 892,051

OTHER INFORMATION

NORTHERN NEW MEXICO COLLEGE
Schedule of Vendor Information for Purchases Exceeding $60,000 (excluding GRT)
For the Year Ended June 30, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	$ Amount of Awarded Contract	$ Amount of Amended Contract	Name and Physical Address per the procurement documentation of ALL Vendor(s) that responded
N/A	Sole Source	Blackboard Inc	$ 65,361	N/A	N/A
N/A	Sole Source	Jeanine Eden	$ 62,000	N/A	N/A

RFB#/RFP#	Awarded Vendor	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) Federal funds answer N/A	Brief Description of the Scope of Work
N/A	Blackboard Inc	N	N	Licenses and upgrades for on-line distance learning
N/A	Jeanine Eden	Y	N/A	Coordinator and facilitator for all VESTA activities (NSF Grant)

SINGLE AUDIT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Northern New Mexico College (the "College") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and the budgetary comparisons of the College, presented as supplementary information, and have issued our report thereon dated November 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2013-002 and 2015-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies 2009-022 and 2013-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-007, 2014-001 and 2015-001.

The College's Responses to Findings

The College's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 16, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

Report on Compliance for the Major Federal Programs

We have audited Northern New Mexico College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the of College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

To the Board of Trustees
Northern New Mexico College
and
Mr. Tim Keller
New Mexico State Auditor

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-003 that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

JAG LLC

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 16, 2015

NORTHERN NEW MEXICO COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

2009-022	Budgetary Comparisons	REVISED AND REPEATED
2013-001	Bank Reconciliations – Timeliness of Review – College	REVISED AND REPEATED
2013-002	Bank Reconciliations – Timeliness of Review - Foundation	REVISED AND REPEATED
2013-003	Capital Assets - Physical Inventory Not Reconciled to the General Ledger	REVISED AND REPEATED
2013-007	Disaster Recovery Plan and Password Policies	REVISED AND REPEATED
2014-001	Capital Assets – Inconsistent Depreciable Lives of Equipment	REVISED AND REPEATED
2014-002	Travel and Per Diem	RESOLVED
2014-003	Expended funds on Capital Projects Before Required Approval Obtained	RESOLVED

NORTHERN NEW MEXICO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
College:		
• Material weakness (es) identified?	____ yes	X no
• Significant deficiency (ies) identified?	X yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	X no
Foundation:		
• Material weakness (es) identified?	X yes	____ no
• Significant deficiency (ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

College:		
Internal control over major programs:		
• Material weakness (es) identified?	____ yes	X no
• Significant deficiency (ies) identified?	X yes	____ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X yes	____ no

Identification of major program:

CFDA Number(s)	*Name of Federal Program or Cluster*
Various	Student Financial Assistance Cluster
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	____ yes	X no

Section II - Financial Statement Findings

2009-022 Budgetary Comparisons (Significant Deficiency)

CONDITION
During the year ended June 30, 2015, we noted that the College overspent its approved *total* budget in the Unrestricted – Instruction and General in the amount of $99,574.

The College has exceeded its annual approved budget in certain budget categories each of the last seven years, however, it should be noted that since management has improved controls in this area, overspending is substantially less than previous years.

CRITERIA
Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Strong internal controls should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

EFFECT
The College is not in compliance with State statute 5.3.4.10 NMAC.

CAUSE
The College's budget process did not monitor overspending in the specific Instruction and General - Unrestricted budget.

RECOMMENDATION
We recommend that the College's budget controls and processes be monitored more frequently to ensure that budgets are not overspent and budget adjustment requests are completed on a timely basis.

MANAGEMENT RESPONSE
Responsible Person(s): VP for Finance and Administration, Budget Analyst

The College continues to improve its budget compilation, tracking and compliance processes. In the multi-year project of reconstruction and reporting, the areas of non-compliance have decreased significantly in quantity and amounts. The College anticipates being fully compliant by the end of fiscal year 2016.

Section II - Financial Statement Findings (Continued)

2013-001 Bank Reconciliations – Timeliness of Review – College (Finding That Does Not Rise to the Level of a Significant Deficiency)

CONDITION
The College's bank reconciliation process, including review, was not finalized before the end of the following month for certain fiscal year 2014-2015 cash accounts. We randomly selected ten bank reconciliations from throughout the year and noted six bank reconciliations were completed and approved 30-53 days after the end of the month. The remaining four bank reconciliations were completed in 30 days or less.

The College did make significant progress in this area from prior year as all the June 30, 2015 cash reconciliations were completed and ready for audit prior to the audit beginning in October. Since prior fiscal year, management has implemented an Access database to monitor the bank reconciliations.

CRITERIA
Appropriate internal controls over cash require timely reconciliation and review of institutional accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

EFFECT
Not reconciling and reviewing cash accounts timely on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected.

CAUSE
During the year, the College had time constraints and lacked the appropriate resources to complete the bank reconciliation process any quicker.

RECOMMENDATION
We suggest that the College continue to prioritize the reconciliation process and implement policies and procedures over month-end closings to ensure that all cash accounts are prepared and reviewed before the end of the next month.

MANAGEMENT RESPONSE
Responsible Person: Director of Financial Services, Staff Accountant, Accountant Tech

The College recognizes the importance of this control and has worked aggressively to rectify this finding. We believe that the College bank reconciliations were performed in a timely basis and the process (reconciliation to review) was completed within 30 to 53 days after month end, with the larger bank accounts requiring more time for reconciliation and review.

The College is utilizing the Access database that was implemented in FY15 as well as electronic folders to track and upload the bank reconciliations and approval signatures. The College currently processes transactions through nine different bank accounts and three banks. We are examining our requirements and are having discussions with local banks to determine if we are able to combine accounts with one or two banks. Taking this action will assist in streamlining the bank reconciliation process. In addition, management will explore options within the current staffing levels to reduce the time required to complete the process. This review will be completed during FY16.

Section II - Financial Statement Findings (Continued)

2013-002 Bank Reconciliations – Timeliness of Review - Foundation (Material Weakness)

CONDITION
The Foundation's complete bank reconciliation process, including review, was not performed timely for 2015 cash accounts. Review and clean-up of cash reconciliations was still being performed during final fieldwork due to lack of timeliness of this process. Since prior fiscal year, management has implemented an Access database to monitor the bank reconciliations.

CRITERIA
Appropriate internal controls over cash require timely reconciliation and review of institutional accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

EFFECT
Not reviewing cash accounts on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected. Some banks will not correct any errors if they are not caught within 10 days.

CAUSE
During the year, the College had time constraints, turnover in Foundation staffing, and a lack of appropriate resources to timely review its cash reconciliations.

RECOMMENDATION
We recommend the Foundation prioritize the reconciliation process and implement policies and procedures to ensure that all cash accounts are reconciled timely and reviewed monthly.

MANAGEMENT RESPONSE
Responsible Person: Director of Financial Services, Staff Accountant, Foundation Director

The College recognizes the importance of this control and although bank reconciliations were complete, we did not post journal entries in a timely manner. We fully intended to utilize the Access database that was implemented in FY15 as well as electronic folders to track and upload the bank reconciliations as well as approval signatures as was accomplished for the College. Because posting of the journal entries were not timely, it delayed the uploads as well as the reviews. The College has already begun discussions with the Foundation Director to implement the necessary steps to fully rectify this finding in FY16.

Section II - Financial Statement Findings (Continued)

2013-003 Capital Assets - Physical Inventory Not Reconciled to the General Ledger (Significant Deficiency)

CONDITION
The College's annual physical inventory of equipment had not been reconciled to the general ledger prior to the current fiscal year. When assets became impaired or obsolete, the Business Office was not notified. During the current year, an effort was extended to locate all items listed. A considerable quantity of physical items, predominantly computer equipment purchased before 2007, were un-located. The change in the net book value of the equipment from before the reconciliation to after the reconciliation was a decrease of $175,981.

The College did not certify the detail of its capital assets at June 30, 2015 as required by New Mexico State Statute. The Policy regarding the oversight and responsibility for disposals is gradually being written but was not completed and approved by the governing body by the close of the fiscal year.

CRITERIA
NM state statute 2.20.1.16 (E) NMAC requires certification of all governmental entities capital assets at or near year-end and 2.20.1.18 NMAC has specific requirements over dispositions. Good accounting practices to ensure compliance should include formal policies and procedures over treatment of assets in accordance with 2.20.1 NMAC.

EFFECT
The College is not in compliance with statutes over capital assets.

CAUSE
The process to reconcile the general ledger to the physical inventory was a significant process and the College was unable to complete the process until after year end and therefore, was unable to certify its capital assets on a timely basis.

RECOMMENDATION
We recommend the College perform an annual physical inventory of its capital assets and have the detailed list certified. Additionally, we recommend the College draft and adopt policies over the disposals of capital assets to be in compliance with laws and regulations.

Section II - Financial Statement Findings (Continued)

2013-003 Capital Assets - Physical Inventory Not Reconciled to the General Ledger (Significant Deficiency) (Continued)

MANAGEMENT RESPONSE
Responsible Person(s): VP for Finance and Administrations, Director of Financial Services, Facilities Director

All amounts recorded on the general ledger at the end of the current fiscal year are supported by physical items. The information supporting the individually booked items includes its location, the custodian, tag number, photograph (for most not all items) and a unique description. The College has several locations of non-functioning and not-yet-disposed-of items which are gradually being reviewed. The Facilities Director and the Director for Financial Services are jointly overseeing this project and, due to quantity of items and its relative priority, do not anticipate completion of this project before the end of fiscal year 2017.

Of the items examined for disposition during the current fiscal year, some computer equipment was found. The serial numbers on those items were compared to those on the inventory and no matches were found. No assets were disposed of during the current year though some were impaired.

The College currently follows the guidelines for dispositions (which apply to capital as well as non-capital items) as established by the General Services Division and the Office of the State Auditor. The College continues to draft and update its policies. The Director of Financial Services is overseeing the project for documenting all Business Office policies and anticipates completion of the project by the end of fiscal year 2017. These will include the need for certification as required by State Statute.

Section II - Financial Statement Findings (Continued)

2013-007 Disaster Recovery Plan (Finding That Does Not Rise to the Level of a Significant Deficiency)

CONDITION
During our review of general IT controls relevant to financial reporting, we have updated this finding with the current status and progress from the prior year:

Disaster Recovery Plan

(a) FY 2014 – There is not a formal written Disaster Recovery Plan covering significant financial systems.

FY 2015 - The College has created and continues to enhance the Disaster Recovery Plan (Business Continuity Plan) developed over the last nine months and is close to final completion. The College's critical systems are now being backed up properly and being stored at an alternate location. There has not yet been a complete and comprehensive Disaster Recovery Test and the plan has not been formally reviewed by executive management or approved by the Board of Trustees.

Incident Response Plan

(b) FY 2014 - There is no formal written Incident Response Plan that will provide guidance in responding to different kinds of incidents or threats that are applicable to the College.

FY 2015 – The College has created a formal written Incident Response Plan (renamed to Campus Emergency Response Plan to coincide with their Annual Security Reports) that will provide guidance in responding to different kinds of incidents or threats that are applicable to the College. The Plan has not been formally reviewed by executive management or approved by the Board of Trustees.

CRITERIA
In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1, framework (DS4, Ensure Continuous Service), a Disaster Recovery Plan should cover all critical applications and systems to reduce impact of a major disruption on key business functions and processes.
Framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and maintain IT security and roles and responsibilities, policies, standards, and procedures. Effective security management protects all IT assets to minimize the business/financial impact of security vulnerabilities and incidents.

EFFECT
The absence of an approved and tested Disaster Recovery Plan for the accounting system may pose question as to the College's ability to respond and recover its accounting data in the event of an unforeseen disaster.

CAUSE
The Plan has been worked on for the last nine months but due to the large scope of the project, has not yet been finalized by management and approved by the Board.

Section II - Financial Statement Findings (Continued)

2013-007 Disaster Recovery Plan (Finding That Does Not Rise to the Level of a Significant Deficiency) (Continued)

RECOMMENDATION
We recommend the following:

(a) Testing and finalizing the Plan, obtaining Board approval and testing the Disaster Recovery Plan to ensure the viability of the plan and the timeliness of its execution.

(b) Testing and adopting the formal Incident Response Plan that will cover procedures and responsibilities involved in case of identified security incident. This will ensure the incident will be addressed in a consistent and timely manner.

MANAGEMENT RESPONSE
Responsible Person(s): IT Director, VP for Finance and Administration

The College has established a Campus Emergency Response Team (CERT) that includes key College personnel to effectively respond to a campus emergency. The Incident Response Plan had been renamed to Campus Emergency Response Plan (CERP) to coincide with the CERT and the Annual Security Report (ASR). The plan has been revised to include building floor plans and key processes and procedures. The CERP will be presented to the team at our next meeting at which point approval of the plan shall be sought. Completion is anticipated no later than December 2015.

The Disaster Recovery Plan/Business Continuity Plan (BCP) is anticipated to be complete during FY16. There are some very important elements of our current environment that have prohibited the completion of the initiative. We did not have a viable Backup and Restoration process that would allow us to effectively perform a Disaster Recovery Test. The college now has a solid Backup process. The college does not have a viable Un-Interruptible Power System (UPS). IT is now working with a UPS company to resolve this issue. Once these items are addressed, the College will be able to perform a formal IT Disaster Recovery test utilizing our BCP Software as well as BCP Training.

It is anticipated, both plans will be presented to the Board of Regents for approval in FY16.

Section II - Financial Statement Findings (Continued)

2014-001 Capital Assets – Inconsistent Depreciable Lives of Equipment (Finding That Does Not Rise to the Level of a Significant Deficiency)

CONDITION

(a) FY 2014 – The College does not have an accounting policy designating specific depreciable lives for equipment. Thus, the College had been depreciating equipment inconsistently over time in prior years.

FY 2015 - The College has updated the useful lives of equipment to a consistent 5-year approach, resulting in additional depreciation of $159,519 recorded during 2015. However, there has not been a formal policy developed that would require Board of Trustee approval

CRITERIA

Sound accounting policies and GASB 34 require that fixed asset categories be consistently depreciated over assigned useful lives.

EFFECT

Without a formally adopted Plan, the College is at risk that depreciation expense for equipment could be over or under stated in the financial statements.

CAUSE

The College is aware of the issue of lack of policies and procedures but has lacked resources to address them.

RECOMMENDATION

We recommend that the College implement an accounting policy that specifically designates assigned useful lives to equipment acquired by the College.

MANAGEMENT RESPONSE

Responsible Person: VP for Finance and Administration, Director of Financial Services

The College does not have a formal policy regarding the useful lives of equipment. The Director of Finance is compiling and updating existing documents to create a list of all Business Office policies, which will be inclusive of accounting for capital assets and the appropriate useful lives. This project is anticipated to be complete by the end of fiscal 2017.

Section II - Financial Statement Findings (Continued)

2015-001 Travel Reimbursements (Finding That Does Not Rise to the Level of a Significant Deficiency)

CONDITION
During our testing of controls and compliance over travel and per diem, we noted:

- 1 out of 13 items tested included reimbursement to an employee that was for a personal expense of $93.79.

- The College reimbursed a new employee $1,165.41 for a qualified move car rental and did not add this amount to their W2 as a taxable benefit. Car rentals do not qualify as a non-taxable company-paid moving expense.

CRITERIA

Travel reimbursements from state funds shall be either per diem or actual expenses for lodging as provided in Section 10-8-4 of the New Mexico Per Diem and Mileage Act, NMSA 1978.

NM State Audit Rule 2.2.2.10 H (2) requires a finding for noncompliance with IRS employee income tax compliance issues.

CAUSE
A personal receipt for a hotel stay was included in the reimbursement packet and the reviewer did not catch the error. Staff was unfamiliar with the IRS regulations over including certain moving expenses in the employee's salary.

EFFECT
The College overpaid travel costs for one employee. In another case, the College was not in compliance with the requirement that the qualified moving expense be included on the employees W2 Form

RECOMMENDATION
We recommend the College remind employees to review details carefully before submitting and approving travel reimbursements.

MANAGEMENT RESPONSE
Responsible Person: Director of Financial Services, Accountant Tech

Travel and Per Diem:
At the end of FY15, the Business Office implemented an "audit checklist" that is completed for all travel reimbursement requests to ensure all audit steps have been completed before reimbursement is processed. Unfortunately, this incident occurred prior to full implementation. Immediately after this oversight was brought to our attention, steps were taken to inform the traveler and request a refund. The College has been refunded the full amount of $93.79.

Moving Expense:
The College has noted this finding. In FY16, the College will implement an audit control within the "travel audit checklist" to include a review of moving expenses for taxable implications. This information will be communicated to payroll for W2 reporting.

Section II - Financial Statement Findings (Continued)

2015-002 Accounting for Restrictions of Net Position – Foundation (Material Weakness)

CONDITION
The Foundation segregates its trial balance into three funds (Unrestricted, Restricted - Expendable, and Restricted Non-Expendable). The corpus of the permanent endowments should match the Restricted Non-Expendable net position. Earnings on the corpus of the permanent endowments should flow to the Restricted – Expendable funds.

We were unable to obtain from the Foundation the detail of the prior year life-to-date permanent endowments that make up the prior year (beginning balance for fiscal year 2015) Restricted Non-Expendable net position of $3,169,412. Consistent with prior years, the Restricted Non-Expendable net position at the beginning and end of year amount agrees to the Endowment Investment amounts recorded in the Statement of Net Position.

Additionally, we were unable to obtain the life-to-date prior year restricted contributions and restricted earnings that make up the prior year (beginning balance for fiscal year 2015) Restricted Expendable net position of $295,056. Consistent with prior years, the Restricted Expendable net position amount at the beginning and end of the year amount agrees to the Foundation's remaining assets less liabilities.

CRITERIA
Certain donors have provided funds to the Foundation with temporary or permanent restrictions attached to the funds. At the point the Foundation accepts funds from donors with restrictions, the Foundation has a fiduciary responsibility to track and use the funds in accordance with the donor's restrictions

CAUSE
The Foundation does not have a strong mechanism to track both the earnings on and usage of restricted contributions at the level of individual endowments or individual restricted contributions

EFFECT
The Foundation may not be able to provide the detail of earnings, spending, or current balances for each restricted donation to individual donors. Therefore, it may be difficult for donors to determine if their restrictions have been met.

RECOMMENDATION
We recommend management track the detail of each permanent endowment and detail of each temporarily restricted contribution. Management should then allocate earnings related to each permanent endowment and restricted contribution in order to comply with both generally accepted accounting principles and the donor's restrictions. The tracking should be at enough detail to ensure each restricted contribution, spending on each restricted contribution (as applicable) and the earnings on each restricted contribution are accurately reported on a periodic basis.

MANAGEMENT RESPONSE
Responsible Person(s): VP for Finance and Administration, Foundation Director

The Foundation has historically faced many challenges in recruiting experienced staff to assist the College in its fundraising efforts. However, in the FY16 (2015-2016) budgeting process the College was able to fund an additional staff member position to assist the Foundation Director in our collective efforts to obtain, organize and maintain appropriate documentation to support the creation of an accounting structure which will facilitate capturing information sufficient to allocate and distribute earnings on corpus. The current Foundation Director, in coordination with College fiscal staff, has undertaken a joint project to reconstruct the individual restricted funds. With the help of the College's Business Office it is our goal to separate out earnings and distributions, to properly classify the net position. The anticipated completion date for this project is the end of the fiscal year 2016

Section III – Federal Award Findings and Questioned Costs

2015-003 Time and Effort Certifications (Significant Deficiency) (Non-Compliance with Federal Awards)

US Department of Education, Higher Education Institutional Aid, CFDA 84.031S and 84.031M
Grant affected: Avance grant program
Award Years 2014-2015

QUESTIONED COSTS
None

CONDITION
The College does have a Time and Effort System in place as twenty-three of twenty-five employees tested did have signed Time and Effort Certifications on file. However, during our testing of payroll certifications over the grants indicated above, we noted two of the twenty-five employees tested did not have signed time and effort certifications for the time period selected for testing.

The employees noted above are two full-time employees that charged their time to the Avance Grant. Mitigating controls were in place to ensure that payroll was appropriately recorded to the proper grants including the following detailed review of payroll costs: Grants Manager review of payroll registers, review of budget to actual expenditures by program and review of journal entries.

CRITERIA
Under the section on allowability, OMB *Circular A-21* states (10)(3)(2):

> (c) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods”
>
> (e) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, **the reports will be signed by the employee, principal investigator, or responsible official(s)** using suitable means of verification that the work was performed.

CAUSE
The full-time employees left employment before the certification was to be completed. Due to the difficulty in obtaining the certification, part-time employees do not always certify their payroll.

EFFECT
Fraud and errors may occur without proper documentation, approval, and monitoring. Without complete and accurate payroll certification reports, the College may not be able to accurately allocate payroll expenses to each federal grant, increasing the risk that costs reported by grant may be misstated.

Section III – Federal Award Findings and Questioned Costs (Continued)

2015-003 Time and Effort Certifications (Significant Deficiency) (Non-Compliance with Federal Awards) (Continued)

RECOMMENDATION
We recommend the College enhance current control procedures to ensure compliance and monitor the implementation results. We recommend additional training of staff, adding to the exit interview process the requirement for certification of time to employees leaving employment. The College may consider a requirement that part-time employees sign their time and effort certification prior to obtaining their paycheck.

MANAGEMENT RESPONSE
Responsible Person(s): Grants Manager, VP for Advancement

The College recognizes that effort reports do not require the signatures of both the employee and supervisor. Although the College currently prefers two signatures on each report (employee and immediate supervisor), it will become the supervisor's sole responsibility to submit timely effort reports for employees who may leave the College prior to the next reporting deadline.

The Grants Office is currently responsible for reminding employees of their effort reporting requirements on a monthly basis. Effective immediately, supervisors will be notified to complete effort reports on behalf of employees who may have separated from the College prior to submitting their final report.

NORTHERN NEW MEXICO COLLEGE
EXIT CONFERENCE
Year Ended June 30, 2015

The contents of this report were discussed in a closed meeting exit conference held on November 12, 2015 at Northern New Mexico College, with the following in attendance:

Representing Northern New Mexico College

Pedro Martinez	Provost
Domingo Sanchez III	VP for Finance and Administration
Ricky Serna	VP for Institutional Advancement
Jacob Pacheco	Director, Financial Aid
Jimi Trujillo	Director of IT Services
Connie Manzanares	Assistant Director of Financial Aid
Alex Williams	Senior Financial Analyst
Evette E. Abeyta	Budget Analyst
Chris Trujillo	Lead IT Specialist
Kevin Powers	Secretary Treasurer/Board of Regents
Melinda DeHerrera	Member, Board of Regents

Representing Northern New Mexico College Foundation

Terry Mulert	Foundation Executive Director
Liddie Martinez	Foundation Board President
Alfred Herrera	Foundation Treasurer

Representing Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, CPA, CFE	Partner
Scott Eliason, CPA	Partner